Appendix 1

United States Court of Appeals
for the Ninth Circuit

No. 21,312

Maier Brewing Company, a corporation, et al.,

Appellants,

vs.

Fleischmann Distilling Corp., a corporation, et al.,

Appellees.

ORDER STAYING ISSUANCE OF MANDATE

Upon application of J. Albert Hutchinson, counsel for the appellant, and good cause therefor appearing, It Is Ordered that the issuance, under Rule 26 of the mandate of this Court in the above cause be, and hereby is stayed pending the filing, consideration and disposition by the Supreme Court of the United States of a petition for writ of certiorari to be made by the appellant herein, providing such petition is filed in the clerk's office of the Supreme Court of the United States on or before May 13, 1968. In the event the petition for writ of certiorari is granted, then this stay is to continue pending the final disposi-

tion of the case by the Supreme Court of the United States.

James Browning,
United States Circuit Judge.

We will prepare a certiorari record when directed to do so.

Dated: San Francisco, Calif.
April 10, 1968

Filed April 11, 1968,
Wm. B. Luck, Clerk.

Appendix 2

United States Court of Appeals
for the Ninth Circuit

No. 21,312

Maier Brewing Company, a corporation, et al.,
Appellants,
vs.
Fleischmann Distilling Corp., a corporation, et al.,
Appellees.

Maier Brewing Company, a corporation, et al.,
Appellants,
vs.
James Buchanan & Co., Ltd.,
Appellee.

On Petition for Rehearing

Before: Browning and Duniway, Circuit Judges, and Byrne, District Judge.

Appellants' petition for rehearing and request for a hearing in banc is denied.

Filed April 8, 1968,
Wm. B. Luck, Clerk.

Appendix 3

United States Court of Appeals
for the Ninth Circuit

No. 21,312

Maier Brewing Company, a corporation, et al.,
Appellants,
vs.
Fleischmann Distilling Corp., a corporation, et al.,
Appellees.

Maier Brewing Company, a corporation, et al.,
Appellants,
vs.
James Buchanan & Co., Ltd.,
Appellee.

[February 21, 1968]

Appeal from the United States District Court
for the Northern District of California

Before: Browning and Duniway, Circuit Judges, and Byrne, District Judge.

Byrne, District Judge:

This is a trade-mark infringement case arising under the Lanham Trade-mark Act, 60 Stat. 427, 15

U.S.C. §§ 1051-1127 (1946). The parties to this action are not strangers to this court in that this is the fourth time that judgments and orders relating to this cause have been appealed here. The first appeal (*Fleischmann Distilling Corp. v. Maier Brewing Company,* 314 F. 2d 149 (9th Cir. 1963)) reversed a judgment for the defendants because of an error on a point of law by the District Court, and we remanded the case directing the granting of an injunction and consideration of the question of the plaintiffs' right to an accounting. A second appeal taken by the defendants from an order awarding attorney's fees and non-taxable litigation expenses to the plaintiffs was dismissed without opinion as premature. A third appeal, after the District Court had authorized the taking of the appeal before final judgment pursuant to 28 U.S.C. § 1292(b), reversed the award of attorney's fees and non-taxable litigation expenses. (*Maier Brewing Company v. Fleischmann Distilling Corp.,* 359 F. 2d 156 (9th Cir. 1966).) This decision was subsequently affirmed by the Supreme Court of the United States. *Fleischmann Distilling Corp. v. Maier Brewing,* 386 U.S. 714 (1967).

The present appeal is from the awarding by the District Court of an accounting by the defendants of their profits ($34,912 from Maier Brewing and $29,849 from Ralph's Grocery Company) accrued from the sale of beer under the name Black & White, the trade name registered to the plaintiffs.

The first contention made by the appellants is that the District Court was without jurisdiction to award

monetary recovery in the form of an accounting of profits. Their basis for this contention is their allegation that Black & White Beer was not "in commerce" as required by the Lanham Act, 60 Stat. 427, 15 U.S.C. §§ 1051-1127 (1946). Some confusion is introduced into this jurisdictional challenge by appellants' statement of their argument which is apparently that although they see no "use in commerce" requirement for the granting of an injunction under 15 U.S.C. § 1116, there is such a requirement for a monetary award under § 1117 in light of that section's reference to § 1114, which specifically requires that the infringing goods be "used in commerce". Appellants' position is initially incorrect in that both sections are inapplicable, unless the infringing goods are used "in commerce". Section 1114 provides civil liability for the infringement of a registered trade-mark by goods used in commerce. Section 1116 gives injunctive powers to "the several courts vested with jurisdiction of civil actions arising under this chapter . . ." Title 28 U.S.C. § 1338(a) states: "The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to . . . trade-marks." Thus, since § 1114, containing the use in commerce requirement, is the only provision for civil liability, the jurisdiction of a district court to grant either injunctive or monetary relief under the Lanham Act is dependent upon the "use in commerce" of the infringing goods.

"Commerce" is defined in Title 15 U.S.C. §1127 as meaning "all commerce which may lawfully be regu-

lated by Congress". Even if the activities of both Maier Brewing and Ralph's Grocery Company, and therefore Black and White Beer, are solely in intrastate commerce, Congress can regulate such activity if it is "sufficiently substantial and adverse to Congress' paramount policy declared in the Act . . ." *Mandeville Island Farms, Inc. v. American Crystal Sugar Co.*, 334 U.S. 219, 234 (1948); *Drop Dead Co. v. S. C. Johnson & Son, Inc.*, 326 F. 2d 87, 94 (9th Cir. 1963) (*cert. den.*, 377 U.S. 907) (1964); *Tiffany & Co. v. Boston Club, Inc.*, 231 F. Supp. 836 (D. Mass. 1964). The Lanham Act, when still in bill form, was described as follows: "This bill, as any other proper legislation on trade-marks, has as its object the protection of trade-marks, securing to the owner the good will of his business and protecting the public against spurious and falsely marked goods." (S. Rep. No. 1333, 79th Cong., 2d Sess. 1-2 (1946). Black & White Scotch is a scotch whisky manufactured abroad by appellee, Buchanan, who is the registrant of the trade name and related trade-mark, and imported and sold by appellee, Fleischmann, throughout the United States. It has been sold in the United States for more than 50 years. The trade-mark was registered in the United States Patent Office in 1908 and the registration was renewed under the Lanham Act in 1948. Black & White Scotch is sold in interstate commerce and is concededly a scotch of excellent reputation. It is fairly obvious therefore that the infringement of this mark by another alcoholic beverage tends to jeopardize the good name of Black & White Scotch,

or at least so diminish the appellees' ability to control and therefore sustain the excellent reputation of their scotch that it must have substantial effect on that trade-mark and its relation to interstate commerce. We conclude that the sale of Black & White Beer could affect the interstate sale and reputation of Black & White Scotch and was, for that reason, commerce which Congress can regulate; and, therefore, that the District Court had jurisdiction in this case. See *Pure Foods v. Minute Maid Corp.*, 214 F. 2d 792, 796 (5th Cir. 1954); and comment on that case, 53 Mich. L. Rev. 745 (1955).

The appellants next contend that even if the District Court had jurisdiction to enter an order for an accounting of profits the making of such an order in this case was not merited by the facts. Appellants allege that the appellees have claimed, and that the District Court granted, an accounting of profits as a matter of right upon the finding of an infringement and the granting of an injunction. This must be so, they argue, since the appellees have shown no injury to themselves, no diversion of sales from them to the appellants, no direct competition from which injury may be inferable, and no palming off or fraudulent conduct. The equitable limitation upon the granting of monetary awards under the Lanham Act, 15 U.S.C. § 1117, would seem to make it clear that such a remedy should not be granted as a matter of right. *Highway Cruisers of Cal., Inc. v. Security Industries, Inc.*, 374 F. 2d 875 (9th Cir. 1967). It therefore becomes appropriate for us to examine the remedy of an

accounting of profits as provided by § 35 of the Lanham Act, 15 U.S.C. § 1117, and to determine its applicability to the facts in this case.

Section 35 of the Lanham Act, 15 U.S.C. § 1117, provides that a trade-mark registrant shall be entitled, upon the finding of an infringement and "subject to the principles of equity",

> "to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty."

This language, as did its predecessor language in the Trade-mark Act of 1905, § 19, 33 Stat. 729, apparently confers a wide scope of discretion upon the district judge in the fashioning of a remedy for a violation of the Act. The exercise of this discretion is expressly made "subject to the principles of equity" and, although such a limitation would appear easy to

implement, it is apparently the source of much of the confusion surrounding the application of section 35 of the Act.

Although the Lanham Act would appear to provide three distinct elements of compensation or recovery to the registrant of the infringed mark, *i.e.* the defendant's profits accrued from the use of the mark, plaintiff's damages, and the costs of the action, the case law which has developed under this section of the Act has been far from clear in defining the scope of the relief granted by the Act. This is particularly true as to the right of the plaintiff to an accounting of the defendant's profits. See, Note, 34 So. Calif. L. Rev. 283, 288 (1961).

There appear to be two distinct views as to the basis for awarding an accounting of profits. The majority of cases seem to view an accounting of profits by the defendant as a method of shifting the burden of proof as to damages for lost or potentially lost sales from the plaintiff to the defendant. See, Note, Wash. U.L.Q. 243 (1963). The minority view, which is apparently the more recent trend, bases the accounting of profits on the equitable concepts of restitution and unjust enrichment. The rationale behind this view, as expressed in *Monsanto Chemical Co. v. Perfect Fit Products Mfg. Co.*, 349 F.2d 389 (2d Cir. 1965), the leading case in this trend, is that the infringer has taken the plaintiff's property as represented by his trade-mark and has utilized this property in making a profit, and that if permitted to retain the profit, the infringer would be unjustly enriched.

Those courts which utilize an accounting of profits as a means of compensating the plaintiff for sales which he has lost as a result of his customers being diverted to the infringer, have, as a result of this premise, required that there be competition between the parties before this recovery can be granted. Clearly, if there is no competition, there can be no diversion of customers. See, *e.g.*, *McCormick v. B. Manischewitz Co.*, 206 F. 2d 744 (6th Cir. 1953); *Admiral Corp. v. Penco, Inc.*, 203 F. 2d 517 (2d Cir. 1953); *Triangle Publications, Inc. v. Rohrlich*, 167 F. 2d 969 (2d Cir. 1948). It does not necessarily follow, however, that just because there is no direct competition an accounting of profits can serve no reasonable end.

The legislative history of the Lanham Act expressly states the purpose of the Act:

> "This bill, as any other proper legislation on trade-marks, has as its object the protection of trade-marks, securing to the owner the good will of his business and protecting the public against spurious and falsely marked goods. The matter has been approached with the view of protecting trade-marks and *making infringement and piracy unprofitable.*" (S.Rep. No. 1333, 79th Cong., 2d Sess. 1-2 (1946).) (Emphasis added)

It is unnecessary for this court to determine whether all of the decisions under the Lanham Act which have viewed an accounting of profits as merely a method of compensating the trade-mark registrant for his lost or diverted sales have fulfilled these goals. The question which we must answer is whether such

a restrictive approach to an accounting of profits fulfills these goals today. We think it does not; and apparently the district court judge, in holding that the appellants would be unjustly enriched if an accounting were denied, thought it did not.

Earlier in our country's history it may have been necessary to copy both the trade-mark and the product of another in order to obtain a free ride on the good reputation of that product and its maker. In such an instance requiring direct competition between the parties as a prerequisite to the granting of an accounting of profits would have been both just and logical. This, however, is the age of television and mass communications. Fortunes are spent in publicizing a name, often with only slight reference to the real utility of the product. The theory behind this modern advertising is that once the name or trade-mark of a product is firmly associated in the mind of the buying public with some desired characteristic—quality, social status, etc.—the public will buy that product. This psychological effect was recognized by the United States Supreme Court when, in *Mishawaka Mfg. v. Kresge Co.*, 316 U.S. 203, 205 (1942), the Court stated:

> "The protection of trade-marks is the law's recognition of the psychological function of symbols. If it be true that we live by symbols, it is no less true that we purchase goods by them. A trade-mark is a merchandising shortcut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity

> by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same—to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trade-mark owner has something of value. If another poaches upon the commerical magnetism of the symbol he has created, the owner can obtain legal redress."

Although courts will protect this psychological value of the trade-mark by means of an injunction against infringement, even where the products are of different descriptive qualities and are, therefore, not in competition (*Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F. 2d 149 (9th Cir. 1963)), those courts which treat an accounting solely as a method of compensating for the diversion of customers fail to fully effectuate the policies of the Act. Such courts are neither "securing to the owner the good will of his business [nor] protecting the public against spurious and falsely marked goods." See *Monsanto Chemical Co. v. Perfect Fit Products Mfg. Co., supra,* at pages 395-396.

These courts are protecting the trade-mark owner from only the most obvious form of damages—the diversion of sales, and are not in fact providing protection to the value of the good will built up in the trade-mark itself. No recognition is given to the possibility that customers who believe that they are buying a product manufactured by the plaintiff—whether such product is competitive or non-competitive—may

be so unhappy with that product that they will never again want to buy that product or any other product produced by the same manufacturer, who they believe to be the plaintiff. Nor do these opinions recognize that, even if the infringing product is of higher quality than that bearing the registered trade-mark, the trade-mark registrant has been deprived of his right to the exclusive use and control of the reputation of his product.

It should also be noted that although the granting of an injunction, upon the finding that a confusion of source may exist between the trade-marked product and the infringing product, protects the public from buying this particular falsely marked product from this particular infringer in the future, it does not necessarily protect them from similar future acts of commercial piracy by the same party. To accomplish this, the courts must, as was recognized in the legislative history of the Act quoted above, make acts of trade-mark infringement, or at the very least acts of deliberate trade-mark piracy, unprofitable. As the court in *Monsanto, supra,* recognized, it is possible for a party to adopt a deliberate business pattern of trade piracy—selling his product under the trade-mark of one reputable company until enjoined and then merely adopting the trade-mark of another company and continuing his fraudulent activities.

Since it is fairly apparent that the use of an accounting of profits solely as a means of compensating the trade-mark registrant for sales which have been diverted to the infringer is somewhat less than wholly

effective in fulfilling the goals of the Lanham Act, we must determine whether the utilization of the unjust enrichment rationale is in fact more effective, and if it is, whether such a utilization is permissible under the Act.

Initially it should be noted that there is nothing in the Lanham Act which would seem to preclude the use of the unjust enrichment rationale for an accounting of profits. Indeed the language of § 1117 would seem to provide that "a plaintiff is specifically entitled 'to recover (1) defendant's profits' and . . . that he need 'prove defendant's sales only,' leaving to the defendant to 'prove all elements of costs or deduction claimed.' In addition, a plaintiff may recover '(2) any damages sustained by the plaintiff.'" *Monsanto, supra* at page 397.

Thus, it must be determined if the concept of unjust enrichment, utilized "subject to the principles of equity", will properly serve to effectuate the policies of the Lanham Act. It would seem that it would. The utilization of this concept will not of course make an accounting of profits automatic. Situations will exist where it would be unduly harsh to grant such recovery. Cases exist where the infringement is entirely innocent; where rather than attempting to gain the value of an established name of another, the infringer has developed what he imagined to be a proper trade name only to find out later that his name caused confusion as to the source of, and therefore infringed, a product with a registered trade-mark. See *e.g., Highway Cruisers of Cal., Inc. v. Security Industries,*

Inc., 374 F. 2d 875 (9th Cir. 1967). In such a case an injunction fully satisfies both the policy of the Act and the equities of the case. *Champion Spark Plugs Co. v. Sanders*, 331 U.S. 125 (1947).

Where, however, the infringement is deliberate and wilful, and the products are non-competitive, both the trade-mark owner and the buying public are slighted, if the court provides no greater remedy than an injunction. As the court said in *Admiral Corp. v. Price Vacuum Stores*, 141 F. Supp. 796, 801 (E.D.Pa. 1956):

> "It seems scarcely equitable . . . for an infringer to reap the benefits of a trade-mark he has stolen, force the registrant to the expense and delay of litigation, and then escape payment of damages on the theory that the registrant suffered no loss. To impose on the infringer nothing more serious than an injunction when he is caught is a tacit invitation to other infringement."

It would seem fairly evident that the purposes of the Lanham Act can be accomplished by making acts of deliberate trade-mark infringement unprofitable. In the case where there is direct competition between the parties, this can be accomplished by an accounting of profits based on the rationale of a returning of diverted profits. In those cases where there is infringement, but no direct competition, this can be accomplished by the use of an accounting of profits based on unjust enrichment rationale. Such an approach to the granting of accountings of profits would, by removing the motive for infringements, have the effect of deterring future infringements. The courts

would therefore be able to protect the intangible value associated with trade-marks and at the same time be protecting the buying public from some of the more unscrupulous members of our economic community.

All this, of course, would be carried out subject to the principles of equity. In certain cases an injunction will fully effectuate the policies of the Act, others will arise when there will be sufficient provable damages to effectuate the policies of the Act without the granting of an accounting for profits; and in still other cases only the granting of an accounting of profits will effectuate the policies of the Act.

Whatever apparent harshness there is in this rule, which would seek to make trade-mark infringements unprofitable, would seem to be mitigated, if not eliminated, by those cases interpreting section 1117, and its predecessor section 19 of the Act of 1905, which indicate that the infringer can limit the profits which he must deliver to the plaintiff

> "if it can be shown that the infringement had no relation to profits made by the defendant, that some purchasers bought goods bearing the infringing mark because of the defendant's recommendation or his reputation or for any reason other than a response to the diffused appeal of the plaintiff's symbol, the burden of showing this is upon the poacher. The plaintiff of course is not entitled to profits demonstrably not attributable to the unlawful use of his mark."

Mishawaka Mfg. Co. v. Kresge, 316 U.S. 203, 206 (1941). See also *Wolfe v. National Lead Co.,* 156 F.

Supp. 883, 891 (N.D.Cal. 1957), *aff'd*, 272 F. 2d 867, 872 (9th Cir. 1959); *Brooks Bros. v. Brooks Clothing of California, Ltd.*, 60 F. Supp. 442, 459 (S.D.Cal. 1945), *aff'd*, 158 F. 2d 798 (9th Cir. 1947), *cert. denied*, 331 U.S. 824 (1947). This reasoning coupled with the broad discretion given to the trial judge by the Act would seem to obviate any fears that a truly harsh result may be reached under this rule.

We conclude that the District Court reached the correct and proper conclusion when, upon finding that the appellants "knowingly, wilfully and deliberately infringed the said trade-mark 'Black & White'", it granted the appellees an accounting of the appellants' profits.

The appellants make two further arguments to the effect that, even if an accounting was proper in this case, the trial court committed reversible error in that (1) the amount awarded as profits failed to properly reflect certain deductions claimed by the appellants and (2) the award was of the profits of both Maier Brewing and Ralph's Grocery Company and hence constitutes more than a single full satisfaction of the appellees.

As to the first of these arguments, both the language of Section 1117 and the case law (see e.g., *Mishawaka, supra*) indicate that the defendant has the burden of proof as to any deductions from his gross sales. We agree with the District Court that the appellants have not sustained their burden of proof as to the claimed deductions.

As to the second of these arguments, it is apparent that this contention is based upon the assumption that the accounting of profits in this action was utilized as a method of compensating the appellees for diversion of sales. As our resolution of the question as to the appellees' right to an accounting indicates, this was not the basis for the accounting in this action. The dollar amount of the recovery in an accounting for profits under the unjust enrichment rationale has no relation to the damages, if any, sustained by the plaintiff in the action.

The decision of the District Court is affirmed.

Appendix 4

United States Court of Appeals
for the Ninth Circuit
Reported as 374 F. 2d 875.

No. 20,022

Highway Cruisers of California, Inc.,
a California corporation,
Appellant,

vs.

Security Industries, Inc.,
an Idaho corporation,
Appellee.

[March 1, 1967]

Appeal from the United States District Court for the District of Idaho, Southern Division

Before: Chambers, Merrill and Duniway, Circuit Judges.

Chambers, Circuit Judge:

Many manufacturers of automobile trailers make what is called a camper. The appellant and appellee build them too.[1] The camper is a compact temporary

[1]Highway Cruisers' primary market for the camper is in California. Security's is in the Western states lying north of California.

living unit which sits in the bed of a pickup truck. Particularly hunters and fishermen like to use them. When detached from the pickup truck, they have little use except perhaps as children's playhouses. We have had these campers here on the question of applicability of federal excise taxes. U.S. v. King Trailer Company, Inc., 9 Cir., 350 F.2d 947.

Highway Cruisers of California, Inc., markets its campers under the registered federal trademark of "Sports Cab." Its label for most of the time at issue has read:

SPORTS CAB
By Highway Cruisers of California

Highway Cruisers (appellant) began in April, 1957, to sell its camper or demountable house trailer cabin under the foregoing label. A year and a half later, Security Industries (appellee) turned up with a camper in the market that looked like Highway's and carried the label:

SPORTS CAB TRAVELER

In 1962, three years after the infringing began, Highway Cruisers sued Security Industries to stop the alleged infringement on name and for an accounting. After a trial, the district court in Idaho found infringement of the trade-mark, entered an injunction and awarded damages of one dollar. The award of one dollar was based on findings by the court that "the evidence fails to disclose that plaintiff suffered any damages as a result of the infringement by defendant and the court finds that no damages to plaintiff re-

sulted therefrom." Further, the court found: "Under the circumstances shown by the evidence, the plaintiff's loss of business, if any, would not be fairly measured by defendant's profits nor be revealed by an accounting." Highway Cruisers appeals from the failure of the trial court to order an accounting.

The trial court found the infringement deliberate but not willful. By that we think it meant that Security knew what it was doing but it erroneously believed it had a legal right to use two words, "Sport Cab," just as much as Highway Cruisers. Security regarded the words as generic as "automobile."[2]

Many, many words are used by both sides on the issue of an accounting or no accounting. But we sum the thing up this way. In the testimony about damage, the court saw enough of Highway Cruisers damage to see that an accounting would amount to putting a whole sack of coal under a pound of popcorn. In other words, an accounting was bound to end up de minimis.

The real competition of the two campers could only have been in the Northwest. Security showed too many reasons in the competitive territory for Highway Cruisers' decline to leave much room to charge much loss of sales to the infringement. Under Champion Spark Plug Co. v. Sanders, 331 U.S. 125, we think it clear that an accounting such as Highway Cruisers sought is not automatic.

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[2]Other than the use of the "Sports Cab" name, there is no showing that Security attempted any "palming off" or tried to make sales on the basis of "my name is his."

Of course, the claim was laid under federal trademark law and upon "unfair competition" which can go along with the former. But equity was sought. Equity has many reeds. A characteristic of it is that one may not get all of the reeds. One may get just enough relief to stop the evil where it is apparent no great damage was done to the complainant.

Our examination of the record convinces us that the findings and the necessary implications thereof are not clearly erroneous. Our reading of the record, if we were making an independent evaluation, would bring us out about the same place as the district court arrived.

The decree of the trial court is affirmed.

Appendix 5

THE TRIAL COURT FINDINGS REMAINING IN EFFECT UPON REMAND IN FIRST APPEAL (314 F.2d 149) ARE, IN RELEVANT PART AS FOLLOWS:

"Findings of Fact

* * *

"3. Defendant, Maier Brewing Company, is a corporation duly organized and existing under the laws of the State of California, is a citizen and resident thereof, and is hereinafter referred to as 'Maier.'

"4. Defendant, Ralphs Grocery Company, is a corporation duly organized and existing under the laws of the State of California, is a citizen and resident thereof, and is hereinafter referred to as 'Ralphs.'

* * *

"11. Defendant Maier brews and sells beer, including 'private brands' which are offered under numerous names to supermarkets and other customers. In June, 1956, Maier commenced the use of the name 'Black & White' on canned beer which was and is retailed by defendant Ralphs in Los Angeles. During the past several years Ralphs has built up a limited but valuable market for 'Black & White' beer in its thirty-two stores in the Los Angeles area.

"12. The name 'Black & White' had previously been used as a trademark for bottled beer by the St. Claire Brewing Co. of San Jose, California, from 1935 until 1938 when that brewery ceased business. Maier learned of such use and abandonment through its salesman, Mr. Mosiman, who had been a salesman for St. Claire Brewing Co. and had sold 'Black &

White' beer for St. Claire Brewing Co. before going to work for Maier.

"13. The St. Claire Brewing Co. had registered the mark 'Black & White' for use on beer with the Secretary of State of California.

"14. In the fall of 1936, National Distillers, which was then the exclusive United States importer of Buchanan's Scotch whisky, had knowledge of the use of the name 'Black & White' by the St. Claire Brewing Co. for the latter's beer and protested such use by writing one letter to St. Claire, but neither National Distillers nor Buchanan took any further action or legal action to enjoin the same.

"15. Defendant Maier, who knew of plaintiffs' 'Black & White' Scotch whisky, adopted the name 'Black & White' for its beer because of the belief that the two products were so distinct that there would be no likelihood of confusion between the products or confusion as to the source of the products.

"16. Maier adopted the 'Black & White' label for beer in good faith, and in fact sought to acquire title to the name 'Black & White' for use on beer from the St. Claire Brewing Co. St. Claire consented to such use, but there was no privity between St. Claire and Maier. There was no intent or attempt by defendants to trade on the good will of plaintiffs.

"17. The labels of defendant Maier bearing the name 'Black & White' bear absolutely no resemblance to plaintiffs' labels and clearly indicate that defendants' beer is manufactured by Maier.

* * *

"23. There is no evidence of confusion . . . nor any belief among the public that 'Black & White beer is the product of plaintiffs or connected, in any way, with plaintiffs.

"24. Plaintiffs have not been damaged by defendants, nor are they likely to be in the future, nor has their good will in their Scotch whisky been damaged or diminished.

"25. Defendants have not suggested or inferred in any fashion, nor have they made any effort to suggest that 'Black & White' beer is the product of plaintiffs, nor have they been guilty of practicing any deception in any manner whatsoever.

"26. The labels and containers used by defendants are so distinct and different from those used by plaintiffs that they would not tend to deceive or confuse an ordinary buyer as to the product or the source thereof.

"27. Plaintiffs' own witness, in testifying as to the scope of the trademark 'Black & White' and the use of the Scottie dogs, conceded that defendants' label was distinct and very candidly admitted that there was no evidence of confusion, nor loss of sales of plaintiffs' Scotch whisky.

"28. There is no real competition between plaintiffs' Scotch whisky and defendants' beer . . ."

(Volume I, pp. 1-196, Transcript of Record, No. 17696 at pages 64, 66, 67, 69, 70.)

Appendix 6

THE RULING AND REMAND OF THE COURT OF APPEALS (314 F.2d 149, 161-162) PROVIDED AS FOLLOWS:

"We hold therefore that the court below was in error in denying the injunction prayed for.

"The judgment is reversed and the cause is remanded to the district court with directions to enter judgment in accordance with this opinion. *The question of plaintiffs' right to an accounting,* not having been dealt with on the previous trial, *remains for decision by the district court.*"

Appendix 7

THE PROCEEDINGS BEFORE THE DISTRICT COURT UPON REMAND OF THE ACCOUNTING ISSUES.

A. On January 21, 1964, without taking evidence and without stipulation and over objection of appellants the District Court made its order reading in relevant part:

"10. An accounting of defendants' profits shall be had with all convenient speed. In connection with said accounting, defendants are ordered to allow plaintiffs and their representatives to inspect and make copies of any and all records, books of account, invoices, income tax returns and document and books showing defendants' respective sales and profits."

(Volume I, Transcript of Record, page 2.)

B. In the hearing responsive to the foregoing order appellants again objected to the absence of trial of the issues of plaintiffs' right to an accounting and their objection was expressly reserved, in relevant part:

"Mr. Hutchinson: I think that we are not in agreement with Mr. Hanger that he has carried his burden of proof. That is why I would like to have all objections reserved . . .

* * *

". . . And as I read the record, *they have removed the contention that they were damaged in their economic interest.* Protection of the [mark] from [dilution] is one thing, but *to take money as damages, or accounting, if that is not two ways of saying the same thing, requires showing that they had some financial loss* . . .

"The Court: The testimony at the trial from the representative, plaintiffs' representative, was categorically that there was no confusion.

"Mr. Hutchinson: No actual confusion.

"The Court: And that was stated on cross-examination . . .

You reserve your right and I will consider the issue as a legal issue at the termination of the accounting.

"Mr. Hutchinson: Yes, I hope we could reserve our objections without taking undue time. Otherwise, we would waive [them] by going forward."

(Volume II, Transcript of Record, pages 7-12.)

Appendix 8

RESPONDENTS' ACCOUNTANTS AND THE DISTRICT COURT EXCLUDED ADMITTED AND LAWFUL BUSINESS EXPENSES RECOGNIZED BY BUSINESS, ACCOUNTING PRACTICES AND LAW IN DETERMINING "PROFITS":

Respondents' accountants' unsupported "add backs" as adopted by the District Court included the following:

1.	Maier	
	a. Advertising	$ 647,990
	b. Abandonment losses on breweries purchased for brewing purposes	1,589,419
	Total	$2,236,409
2.	Ralphs:	
	a. Advertising	15,106
	b. Packaging and wrapping	3,154
	Total	18,260